

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07
TRSE-00 LAB-04 SIL-01 OMB-01 SOE-02 DODE-00 H-01
INT-05 L-03 NSC-05 PM-05 ICA-11 OES-09 SS-15
ACDA-12 PA-01 /134 W
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R 031646Z AUG 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 8211
INFO ALL EC CAPITALS
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
DOE WASHDC

C O N F I D E N T I A L SECTION 1 OF 2 BRUSSELS 15108

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E.O. 11652: GDS
TAGS: ENRG, EIND, EEC
SUBJECT: ENERGY ASPECTS OF EURO-ARAB DIALOGUE

REF: A. STATE 181874, B. BRUSSELS 23878, C. BRUSSELS
2004, D. 77 BRUSSELS 15479

1. MISSION OFFICER DISCUSSED ENERGY ASPECTS OF THE EURO-ARAB DIALOGUE IN A CONVERSATION ON AUGUST 1 WITH ACTING DIRECTOR GENERAL FOR ENERGY (DG XVII), JEAN-CLAUDE RENAUD, AND MICHEL BERRYER OF HIS STAFF. RENAUD AND BERRYER POINTED OUT THAT DG XVII BELIEVES THE WORKING LEVEL PAPER REPORTED REF B, WHICH THEY SAID WAS LARGELY PREPARED BY
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THE SERVICES OF DG VIII, WENT TOO FAR IN PROPOSING IMPORTANT COMMERCIAL CONCESSIONS TO THE ARAB STATES. THIS GAVE MISSION OFFICER AN OPENING TO MAKE THE POINTS IN REF A.

2. RENAUD STATED THAT DG XVII GENERALLY AGREES WITH THE U.S. ARGUMENTS. IT HAD INFORMED DG VIII OFFICIALS THAT IT IS ILLUSORY TO EXPECT AN ASSURANCE FROM THE ARAB OIL PRO-

DUCERS ON SUPPLY AND DELIVERY OF PETROLEUM IN EXCHANGE FOR CONCESSIONS WHICH COULD CAUSE THE COMMUNITY PETROLEUM SECTOR FURTHER DIFFICULTIES OR IMPOSE TOO HIGH A COMMERCIAL TRADE PRICE. CLEARLY NO UNDERTAKING FROM THE ARAB OIL PRODUCERS CAN GUARANTEE AN EFFECTIVE SUPPLY OF PETROLEUM. HOWEVER, ACCORDING TO RENAUD, DIRECTOR GENERAL FOR DEVELOPMENT MEYER REMINDED DG XVII THAT IT WAS DG XVII ITSELF THAT HAD FIRST SUGGESTED IN ITS FEBRUARY PROPOSAL TO ALLEVIATE THE COMMUNITY'S PETROLEUM REFINING PROBLEMS THE POSSIBILITY OF OFFERING THE ARAB PRODUCERS SOME ACCESS TO THE EUROPEAN MARKET FOR PETROLEUM PRODUCTS, WITH PARTICULAR ATTENTION TO THOSE COUNTRIES WHICH OFFER GUARANTEES ON CRUDE OIL SUPPLY (PARA 9, REF C). MEYER CLAIMED THAT ALL DG VIII IS SUGGESTING IS THE EXTENSION OF THIS CONCEPT TO OTHER AREAS.

3. RENAUD SAID THAT HE HAD ARGUED WITHIN DG XVII THAT, IN ORDER TO BE CONSISTENT, DG XVII SHOULD DROP THE SUGGESTED LINK OF A SLIGHT OPENING OF THE EC MARKET TO ARAB OIL PRODUCTS TO A MEANINGLESS GUARANTEE OF CRUDE OIL SUPPLY. RENAUD SAID THAT WILLIAMS AGREES THAT AN OIL SUPPLY GUARANTEE WAS OF LITTLE PRACTICAL VALUE AND FEELS STRONGLY THAT NO PRICE SHOULD BE PAID BY THE COMMUNITY FOR SUCH A "GUARANTEE," BUT HE THINKS THAT IT IS IMPORTANT TO MAINTAIN THE STRESS ON RELIABILITY OF SUPPLY OF CRUDE OIL AS A RHETORICAL REMINDER TO THE OIL PRODUCERS THAT COOPERATION IS A TWO-WAY STREET INVOLVING OBLIGATIONS ON BOTH SIDES.

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4. BERRYER SAID THAT THE COMMISSION HAS RULED OUT THE POSSIBILITY OF EXTENDING PREFERENTIAL AGREEMENTS TO NON-MEDITERRANEAN ARAB STATES. THUS, IN HIS OPINION, THE ONLY WAY THE COMMUNITY COULD PROVIDE ADDITIONAL COMMERCIAL BENEFITS TO THE ARAB STATES WOULD BE UNDER GSP. THE COMMISSION FURTHER RECOGNIZES, HE SAID, THAT ANY MODULATION OF THE GSP TO INCREASE EC IMPORTS OF PETROLEUM PRODUCTS AND PETROCHEMICALS COULD NOT BE RESTRICTED TO ARAB STATES AND WOULD HAVE TO BENEFIT OTHER OIL PRODUCING COUNTRIES, SUCH AS IRAN AND VENEZUELA, AS WELL. HE NOTED THAT, UNLIKE THE UNITED STATES, THE EC INCLUDES PETROLEUM PRODUCTS UNDER ITS GSP SCHEME UP TO A GLOBAL CEILING OF 2.6 MILLION TONS A YEAR, WITH A MAXIMUM OF 20 PERCENT (OR 520,000 TONS OF OIL) PER COUNTRY. THIS CEILING ON PRODUCTS COULD BE INCREASED AFTER 1982-85 TO ALLOW GREATER PRODUCT IMPORTS FROM OIL PRODUCERS, DEPENDING UPON THE COMMUNITY'S REFINING SITUATION AT THAT TIME, BUT WOULD STILL FALL FAR SHORT OF THE ARAB DEMAND FOR ACCESS FOR 10-15 MILLION TONS OF PRODUCT A YEAR. CHEMICAL FEEDSTOCKS NOW COME IN DUTY FREE.

PETROCHEMICALS ARE MORE COMPLICATED BUT PERHAPS SOMETHING
COULD ALSO BE DONE UNDER GSP.

5. IN AN EARLIER CONVERSATION, GEORGES BRONDEL, DIRECTOR
FOR OIL AND GAS (DG XVII), HAD NOTED THAT IN THE CONSULTA-
TIONS WITH THE ARAB STATES IN THE REFINERY AND PETRO-
CHEMICALS WORKING GROUPS OF THE EURO-ARAB DIALOGUE (REF D),
THE EMPHASIS ON A GUARANTEED SUPPLY OF CRUDE OIL AS A
COUNTERPART TO FUTURE EC WILLINGNESS TO INCREASE ITS IM-
PORTS OF OIL PRODUCTS AND PETROCHEMICALS CREATED AN ATMOS-
PHERE WHICH MIGHT DISCOURAGE ARAB REDUCTIONS OF CRUDE OIL
TO EUROPE IN THE FUTURE. HE ALSO RECOGNIZED THAT NO RE-

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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 15108

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SULTING ASSURANCES OF CRUDE SUPPLY COULD BE CONSIDERED
BINDING ON THE ARAB PRODUCERS. HINTON

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